

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 OMB-01 AF-08 ARA-06 EA-07 OIC-02 /133 W
-----240157Z 107460 /63

R 231415Z DEC 76
FM USMISSION GENEVA
TO SECSTATE WASHDC 4342
INFO AMEMBASSY NEW DELHI
AMEMBASSY STOCKHOLM

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PASS STR FOR MKIE SMITH

E.O. 11652: N/A
TAGS: GATT, ETRD
SUBJ: TEXTILES: TSB FINDINGS IN SWEDEN-INDIA DISPUTE

1. ON DEC 10 TSB HEARD PRESENTATION (BY RAMAKRISHNA) INDIA COMPLAINT AGAINST SWEDEN'S ART. 3 ACTION ON IMPORTS BLOUSES AND BED LINEN FROM INDIA. INDIANS BUILT CASE AROUND : A) ALLEGATION THAT SWEDEN HAD NOT AFFORDED ADEQUATE CONSULTATION BEFORE TAKING ACTION; B) CHARGED SWEDEN WITH FAILURE NOTIFY TSB OF ACTION TAKEN; C) SAID SWEDEN FAILED DEMONSTRATE EXISTENCE OR THREAT OF MARKET DISRUPTION AS DEFINED IN ANNEX A; AND, D) REJECTED VALIDITY OF "MINIMUM VIABLE PRODUCTION" (ART. 1:2) CONCEPT AS FACTOR IN DETERMINING EXISTENCE OF MARKET DISRUPTION. INDIANS SAID THEY STILL WILLING CONSULT BUT ONLY AFTER SWEDEN LIFTED RESTRAINTS.

2. FOLLOWING INDIAN PRESENTATION, DEVELOPING COUNTRY REPS ON TSB DEMANDED IMMEDIATE RECOMMENDATION AGAINST
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SWEDEN. THIS MOVE WAS BLOCKED BY EC, JAPAN, FINALDN AND U.S. REPS WHO TOOK POSITION THERE COULD BE NO FINDING UNTIL SWEDEN WAS OFFERED LAST OPPORTUNITY TO BE HEARD. ACCORDINGLY, CHAIRMAN WAS DIRECTED INFORM SWEDISH AUTHORITIES THAT TSB WOULD BE IN SESSION DEC. 16, 17 AND 20 AND THAT UNLESS SWEDEN APPEARED AT ONE OF THOSE SES-N

SIONS, DECISION IN CASE WOULD BE TAKEN WITHOUT HEARING SWEDISH SIDE. ON DEC. 17 SWEDISH DEL HEADED BY AMB. CRAFOORD APPEARED BEFORE TSB.

3. IN ALL-DAY SESSION, SWEDES ABLY DEFENDED THEIR ACTION. ADMITTING AT OUTSET THAT THEY REGRETTED HAVING MADE SERIOUS "ADMINISTRATIVE" ERROR IN FAILING INFORM TSB OF ACTION, THEY PROCEEDED CAREFULLY DOCUMENT SAD STATE OF SWEDISH INDUSTRY SECTOR AFFECTED BY IMPORTS FROM INDIA AND ELSEWHERE. MADE EXCELLENT CASE FOR EXISTENCE MARKET DISRUPTION WHICH WAS, THOUGH UNSTATED, CLEARLY BASED ON CUMULATIVE CONCEPT. CONCLUDED BY NOTING THAT COMMUNICATIONS BETWEEN STOCKHOLM AND NEW DELHI HAD BEEN VERY POOR BOTH BEFORE AND AFTER THEIR ACTION AND INDICATED A WILLINGNESS TO REENTER CONSULTATIONS WITH INDIA FORTHWITH.

4. AFTER 10-HOUR NONSTOP DEBATE DEC 20, TSB REACHED CONSENSUS ON FOLLOWING POINTS: A) THERE HAD BEEN DIFFICULTIES IN COMMUNICATION BETWEEN STOCKHOLM AND NEW DELHI RESULTING IN MISUNDERSTANDINGS BEFORE ACTION TAKEN; B) THAT SWEDEN HAD BEEN REMISS IN FAILING NOTIFY TSB OF ACTION TAKEN; C) RECOMMENDED THAT SWEDEN "LIFT" RESTRAINTS PENDING OUTCOME NEW CONSULTATIONS WITH "BOTH GOVERNMENTS" TAKING STEPS HOLD TRADE DURING THIS PERIOD TO LEVEL OF "AVERAGE MONTH" IN 1976; AND, D) THAT CONSULTATIONS BE STARTED NOT LATER THAN 31 JAN. 1977 AND BE CONCLUDED NOT LATER THAN 28 FEB. 1977.

5. SWEDES, OUTSIDE FORMAL SESSION, ADMITTED THAT LIMITED OFFICIAL USE

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WHOLE AFFAIR HAD BEEN CLUMSILY HANDLED AND WAS ACUTELY EMBARRASSING IN LIGHT NORDIC EFFORT STRENGTHEN MVP POSITION. THEY ARE RIGHT. U.S. REP CONCLUDES THAT UNLESS THIS MATTER IS NOW RESOLVED AMICABLY BETWEEN STOCKHOLM AND NEW DELHI, NORDICS WILL HAVE TO WRITE OFF THEIR MVP ASPIRATIONS AND CASE WILL BE RETURNED TO TSB FOR A HIGHLY DIVISIVE HEARING ON MARKET DISRUPTION ISSUE AND THE UNDERLYING "CUMULATIVE CONCEPT." THIS IS ONE DEBATE THE TSB DOES NOT NEED AT THIS PARTICULAR TIME. CATTO

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